

Message Text

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FM SECSTATE WASHDC

TO NAVFAC ELEUTHERA BAHAMAS

INFO AMEMBASSY NASSAU IMMEDIATE

C O N F I D E N T I A L STATE 203515

LIMDIS

FOR ASSISTANT SECRETARY ROGERS

FOLLOWING TEL SENT ACTION LIMA FROM SECSTATE DTG 270008Z AUG 75

RPTD TO YOU:

QUOTE:

C O N F I D E N T I A L STATE 203515

LIMDIS

E.O. 11652' GDS

TAGS: EINV, EMIN, PFOR, PE, US

SUBJECT: MARCONA EXPROPRIATION

1. FURTH AND RIVES ACCOMPANIED BY WASHINGTON ATTORNEYS BRADFIELD AND CORETTE MET WITH DR. FISHLOW AND DEPARTMENT OFFICERS ON AUGUST 25 TO DISCUSS PRESENT STATUS OF MARCONA CASE. FURTH GAVE A FIRSTHAND DESCRIPTION OF RECENT EVENTS IN LIMA WHICH AGREED WITH PRIOR EMBASSY REPORTING.

2. WE DISCUSSED APPROPRIATE NEXT STEPS AT LENGTH. DEPARTMENT OFFICERS ENCOURAGED MARCONA OFFICIALS TO
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DEVELOP AN APPROPRIATE OFFER WITH WHICH THEY COULD

RETURN TO LIMA IN THE NEAR FUTURE IN THE HOPE OF
INITIATING MEANINGFUL DISCUSSIONS.

3. MARCONA REPRESENTATIVES INSTEAD ADVANCED THE IDEA
THAT THE MOST PRODUCTIVE TACTIC AT THIS STAGE WOULD BE
TO SEND A U.S. GOVERNMENT-DESIGNATED REPRESENTATIVE TO
PERU WHO WOULD HAVE ACCESS TO THE HIGHEST LEVEL OF THE
PERUVIAN GOVERNMENT. MARCONA BELIEVES THAT ITS
RETURNING TO LIMA WOULD BE TANTAMOUNT TO BIDDING AGAINST
ITSELF, AND THAT ANY OFFER IT MAKES OTHER THAN THAT
ADVANCED BEFORE EXPROPRIATION WILL ONLY LEAD TO A LONG-

DRAWN-OUT PROCESS OF DELAYS AND EVASIONS THAT MIGHT BE
AVOIDED BY ADOPTING THE THIRD-PARTY TACTIC. AS THEY
ENVISION THIS PROCESS, THE HIGH LEVEL EMISSARY WOULD
BE SOMEONE WITH ACCESS TO PRESIDENT VELASCO WHO COULD,
IN EFFECT, SPEAK FOR BOTH THE COMPANY AND THE U.S.
GOVERNMENT, MAKING CLEAR AT THE HIGHEST LEVELS THE
DIMENSIONS OF A POSSIBLE SETTLEMENT AND THE CONSEQUENCES
OF NOT SETTLING. THE EMISSARY WOULD SEEK VELASCO'S
AGREEMENT TO PAY COMPENSATION, AND HIS AGREEMENT ON
ITS AMOUNT. THE MODALITIES OF PAYMENT WOULD BE REMITTED
BY VELASCO TO LOWER LEVELS, BUT IT WOULD BE UNDERSTOOD
THAT THE OUTER FORMS OF PERUVIAN LAW WOULD BE RESPECTED.
IN MARCONA'S VIEW, THIS APPROACH MIGHT RESULT IN
VELASCO AND SENIOR PERUVIAN OFFICIALS MAKING A PROMPT
DECISION TO NEGOTIATE ON THESE LINES.

4. THE ADVANTAGES OF THIS APPROACH MAY BE THESE.
(A) VELASCO'S ATTENTION WOULD BE SEIZED, AND ANY
DOUBT AT THE HIGHEST LEVELS OF THE GOP OF THE SERIOUS-
NESS OF THE PROBLEM FOR GOP-USG RELATIONS WOULD BE
REMOVED. (B) AN AVENUE OF SETTLEMENT WHICH WOULD
PRESERVE PERUVIAN FACE WOULD BE OPENED. (C) THIS WOULD
ESTABLISH WHETHER OR NOT THE GOP INTENDS TO NEGOTIATE
A SOLUTION AND WOULD MINIMIZE GOP POSSIBILITIES OF
SIMPLY STRINGING THE COMPANY AND THE USG ALONG.
(D) IT WOULD TAKE ADVANTAGE OF THE PERIOD OF THE
COMPANY'S MAXIMUM LEVERAGE ON THE GOP, WHICH IS NOW AND
WITHIN THE NEXT MONTH OR SO, WHILE UNSOLD ORE COLLECTS
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AND BEFORE OVERSEAS BUYERS HAVE BEGUN TO PURCHASE ORE.
MARCONA DOES NOT BELIEVE THAT THE GOP WILL BE UNABLE
TO SELL ORE FOR MORE THAN A FEW MONTHS. (E) SINCE SUCH
EMISSARIES WERE SENT IN CASE OF IPC (IRWIN) AND THE
GLOBAL SETTLEMENT (GREENE), IT MAY BE THAT PERU EXPECTS
SUCH AN EMISSARY IN THIS CASE AND WILL NOT SERIOUSLY
NEGOTIATE IN HIS ABSENCE.

5. THE DISADVANTAGES OF THIS APPROACH MAY BE (A) IT MIGHT LEAD TO A PROMPT AND UNNECESSARY NEGATIVE DECISION WHICH WOULD TEND TO FORCE OUR HAND ON SANCTIONS. (B) IT MIGHT BE MISINTERPRETED AS AN ULTIMATUM BY THE PERUVIANS WITH ATTENDANT NEGATIVE POLITICAL CONSEQUENCES. (C) IT MIGHT NOT TAKE FULL ADVANTAGE OF THOSE INDIVIDUALS AND FORCES WITHIN THE PERUVIAN GOVERNMENT, WHO IF GIVEN TIME, MIGHT WORK IN MARCONA'S FAVOR. (D) SUBSTANTIVE USG INVOLVEMENT IN MAINTAINING MARCONA'S CLAIM WOULD REQUIRE DEEPER STUDY OF THE MERITS OF PERU'S CHARGES AND THE COMPANY'S RESPONSES THAN WE HAVE SO FAR GIVEN.

6. WE WOULD APPRECIATE RECEIVING EMBASSY'S THOUGHTS AND RECOMMENDATIONS WITH RESPECT TO THREE POSSIBLE SCENARIOS. (A) MARCONA DEVELOPS A PROPOSAL AND RETURNS TO LIMA TO PRESENT IT TO APPROPRIATE GOVERNMENT OFFICIALS. (ADVANTAGE - GIVES APPEARANCE OF CONTINUING NEGOTIATIONS, AND MAY PROMOTE A SERIOUS NEGOTIATION. DISADVANTAGES STATED ABOVE.) (B) MARCONA SELECTS AN APPROPRIATE PRIVATE THIRD PARTY AS ITS EMISSARY TO THE PERUVIAN GOVERNMENT. (THIS COULD CARRY THE ADVANTAGES OF OPTION C DISCUSSED ABOVE, BUT THE DISADVANTAGE OF NOT BRINGING TO BEAR USG INFLUENCE AND INTIMATIONS OF EFFECTS ON OFFICIAL RELATIONS.) (C) MARCONA AND THE U.S. GOVERNMENT TOGETHER AGREE UPON A HIGH-LEVEL EMISSARY WHO WOULD BE EMPOWERED TO SPEAK FOR BOTH.

7. MARCONA REPS WILL REMAIN IN WASHINGTON THROUGH WEDNESDAY, THEREFORE WOULD APPRECIATE AT LEAST YOUR PRELIMINARY COMMENTS ASAP. ANY THOUGHTS YOU MAY HAVE ON A PERSON WHO MIGHT BE SUITABLE AS A THIRD PARTY, UNDER EITHER SCENARIO B OR C ABOVE, WOULD ALSO BE CONFIDENTIAL

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